



Investment Office

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October 21, 2005

Ms. Lucinda Ehnes
Director
Department of Managed Health Care
State of California
980 Ninth Street
Suite 500
Sacramento, California 95814

Dear Ms. Ehnes:

I am writing to express concerns about the inefficient use of shareowner assets by the Board of Directors of PacifiCare, as it relates to the proposed merger with United Health Group. CalPERS owns 423,100 shares (.48% of shares outstanding) of PacifiCare valued at approximately \$33 million. CalPERS owns 7,245,585 shares (.59% of shares outstanding) of United Health Group valued at approximately \$400 million.

CalPERS has written to Mr. Howard G. Phanstiel, Chairman and Chief Executive Officer of PacifiCare, requesting the Board of Directors to rescind the compensation plan for its senior management team which accelerates vesting of options and provides signing bonuses for remaining with the merged company. CalPERS requests the Compensation Committee of the Board of Directors find a more efficient and cost effective means for the PacifiCare management team to maintain their equity based incentive compensation in the new combined company.

We encourage the Department of Managed Health Care to take our concerns into consideration as part of its review process for granting regulatory approval for the proposed merger.

Sincerely,

Christianna Wood
Senior Investment Officer
Global Equity